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Regulating Housing GSEs: Thoughts on Institutional Structure and Authorities

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Summary

Three government-sponsored enterprises (GSEs) play a significant role in the U.S. housing markets: the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank System (FHLB System). Congress created each of these entities, and their federal charters include numerous provisions that result in lower operating and funding costs.¹ These GSEs' primary public contribution with respect to housing is to use their federal benefits to reduce mortgage interest rates faced by homebuyers with "conforming" mortgages. The U.S. Congressional Budget Office (CBO) (2004) estimates that for 2003 the gross benefit accruing to the three housing GSEs was \$23.0 billion, the net benefit to homebuyers was \$13.6 billion, and the residual benefit to GSE equity holders was \$9.4 billion

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